

**PECAN ISLAND WATERWORKS
DISTRICT NO. 3 OF VERMILION PARISH,
LOUISIANA**

Financial Report

Years Ended December 31, 2013 and 2012

TABLE OF CONTENTS

	<u>Page No.</u>
Independent Accountant's Compilation Report	1-2
Basic Financial Statements:	
Statements of Net Position	4
Statements of Revenues, Expenses and Changes in Fund Net Position	5
Statements of Cash Flows	6
Notes to Financial Statements	7-11
Other Supplementary Information:	
Schedule of Number of Utility Customers	13
Schedule of Insurance Policies in Force	14



INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

Board of Commissioners
Pecan Island Waterworks District No. 3
of Vermilion Parish, Louisiana
Kaplan, Louisiana

We have compiled the accompanying financial statements of the business-type activities of the Pecan Island Waterworks District No. 3 of Vermilion Parish, Louisiana, component unit of Vermilion Parish Police Jury, (the District) as of and for the years ended December 31, 2013 and 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

The management of the District is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

E. Larry Sikes, CPA/PFS, CVA, CFP®
Danny P. Frederick, CPA
Clayton E. Darnall, CPA, CVA
Eugene H. Darnall, III, CPA
Stephanie M. Higginbotham, CPA
John P. Armato, CPA/PFS
J. Stephen Gardes, CPA, CVA
Jennifer S. Ziegler, CPA/PFS, CFP®
Chris A. Miller, CPA, CVA
Steven G. Moosa, CPA
M. Rebecca Gardes, CPA
Joan B. Moody, CPA
Lauren V. Hebert, CPA/PFS
Erich G. Loewer, III, CPA, M.S. Tax
Stephen R. Dischler, MBA, CPA
Pamela Mayeaux Bonin, CPA, CVA
Craig C. Babineaux, CPA/PFS, CFP®
Jeremy C. Meaux, CPA
Chad M. Bailey, CPA
Adam J. Curry, CPA, CFP®
Kyle P. Saltzman, CPA
Blaine M. Crochet, CPA, M.S.

Kathleen T. Darnall, CPA
Kevin S. Young, CPA
Christy S. Dew, CPA, MPA
Rachel W. Ashford, CPA
Veronica L. LeBleu, CPA, MBA
Christine Guidry Berwick, CPA, MBA
Brandon L. Porter, CPA
Christine H. Ford, CPA
Barry J. Dufrene, CPA
Tanya S. Nowlin, Ph.D., CPA
Nicole B. Bruchez, CPA, MBA
Brandon R. Dunphy, CPA
Seth C. Norris, CPA
Ryan Earles, CPA
Jenifer Zaunbrecher, CPA
Robert C. Darnall, CPA, M.S.
Elizabeth H. Olinde, CPA

2000 Kaliste Saloom
Suite 300
Lafayette, LA 70508
Phone: 337.232.3312
Fax: 337.237.3614

1231 E. Laurel Avenue
Eunice, LA 70535
Phone: 337.457.4146
Fax: 337.457.5060

1201 Brashear Avenue
Suite 301
Morgan City, LA 70380
Phone: 985.384.6264
Fax: 985.384.8140

203 S. Jefferson Street
Abbeville, LA 70510
Phone: 337.893.5470
Fax: 337.893.5470

A Member of:
American Institute of
Certified Public Accountants
Society of Louisiana
Certified Public Accountants
www.dsfcpas.com

The supplementary information on pages 13 & 14 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information has been compiled from information that is the representation of management. We have not audited or reviewed the supplementary information and, accordingly, do not express an opinion or provide any assurance on such supplementary information.

Dannall, Sikes, Gaudes & Frederick

A Corporation of Certified Public Accountants

Eunice, Louisiana

February 8, 2014

BASIC FINANCIAL STATEMENTS

PECAN ISLAND WATERWORKS DISTRICT NO. 3 OF VERMILION PARISH, LOUISIANA

Statements of Net Position
December 31, 2013 and 2012

	2013	2012
ASSETS		
Current assets:		
Cash	\$ 94,606	\$ 123,068
Accounts receivable	3,290	5,149
Prepaid insurance	4,745	4,745
Total current assets	<u>102,641</u>	<u>132,962</u>
Restricted assets:		
Cash - customer deposits	<u>16,129</u>	<u>15,540</u>
Capital assets:		
Buildings and improvements	233,941	178,891
Equipment	21,624	16,518
Improvements other than buildings	<u>2,007,249</u>	<u>2,007,249</u>
	2,262,814	2,202,658
Less: Accumulated depreciation	<u>(637,220)</u>	<u>(562,834)</u>
Total capital assets, net of accumulated depreciation	<u>1,625,594</u>	<u>1,639,824</u>
Total assets	<u>\$ 1,744,364</u>	<u>\$ 1,788,326</u>
LIABILITIES		
Current liabilities:		
Contracts payable	\$ 7,724	\$ 1,419
Current portion of long-term debt	3,027	-
Accrued payroll and payroll taxes	771	1,104
Accrued expenses and sales taxes	<u>1,274</u>	<u>724</u>
Total current liabilities	<u>12,796</u>	<u>3,247</u>
Current liabilities payable from restricted assets -		
Customer's meter deposits	<u>15,925</u>	<u>15,325</u>
Long-term liabilities:		
Long-term debt, less current maturities	<u>9,251</u>	<u>-</u>
Total liabilities	<u>37,972</u>	<u>18,572</u>
NET POSITION		
Invested in capital assets, net of related debt	1,613,316	1,639,824
Unrestricted	<u>93,076</u>	<u>129,930</u>
Total net position	<u>1,706,392</u>	<u>1,769,754</u>
Total liabilities and net position	<u>\$ 1,744,364</u>	<u>\$ 1,788,326</u>

The accompanying notes are an integral part of this statement.

PECAN ISLAND WATERWORKS DISTRICT NO. 3 OF VERMILION PARISH, LOUISIANA

Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
OPERATING REVENUE		
Water sales	\$ 124,443	\$ 123,921
Delinquent charges	747	592
Meter fees	<u>1,150</u>	<u>1,579</u>
Total operating revenues	<u>126,340</u>	<u>126,092</u>
OPERATING EXPENSE		
Chemicals	9,954	20,439
Depreciation	87,253	86,929
Dues and subscriptions	1,041	1,244
Freight	-	377
Insurance	15,966	14,686
Interest	218	-
License and permits	385	385
Meter readings and installations	2,479	-
Miscellaneous	5,214	4,641
Office supplies	5,238	4,109
Professional fees	13,425	7,294
Repairs and maintenance	8,605	12,134
Salaries and payroll taxes	35,381	34,254
Telephone and utilities	5,478	6,335
Tools and supplies	2,534	529
Vehicle	<u>2,906</u>	<u>2,200</u>
Total operating expenses	<u>196,077</u>	<u>195,556</u>
Operating loss	(69,737)	(69,464)
NONOPERATING INCOME		
Capital grant income	4,050	-
Miscellaneous income	768	-
Gain on sale of fixed asset	825	-
Interest income	<u>732</u>	<u>778</u>
	<u>6,375</u>	<u>778</u>
Decrease in net position	(63,362)	(68,686)
Net position		
Balance, beginning of year	<u>1,769,754</u>	<u>1,838,440</u>
Balance, end of year	<u>\$ 1,706,392</u>	<u>\$ 1,769,754</u>

The accompanying notes are an integral part of this statement.

PECAN ISLAND WATERWORKS DISTRICT NO. 3 OF VERMILION PARISH, LOUISIANA

Statements of Cash Flows
Years Ended December 31, 2013 and 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 128,199	\$ 127,370
Payments to vendors for goods and services	(66,588)	(73,649)
Payments to employees for services	(35,714)	(34,320)
Net cash provided by operating activities	<u>25,897</u>	<u>19,401</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES		
Net cash collected for meter deposits	<u>600</u>	<u>300</u>
Net cash provided by noncapital and related financing activities	<u>600</u>	<u>300</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Receipts from grants for capital purposes	4,818	-
Net proceeds (repayments) on long-term debt	12,278	-
Proceeds from sale of fixed asset	825	-
Purchase of capital assets	(73,023)	-
Net cash used by capital and related financing activities	<u>(55,102)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	<u>732</u>	<u>778</u>
Net cash provided by investing activities	<u>732</u>	<u>778</u>
Net increase (decrease) in cash and cash equivalents	(27,873)	20,479
Cash and restricted cash - beginning	<u>138,608</u>	<u>118,129</u>
Cash and restricted cash - ending	<u>\$ 110,735</u>	<u>\$ 138,608</u>
Reconciliation of loss from operations to net cash provided by operating activities:		
Operating loss	<u>\$ (69,737)</u>	<u>\$ (69,464)</u>
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	87,253	86,929
(Increase) decrease in accounts receivable	1,859	1,278
Increase (decrease) in accounts payable	6,305	-
Increase (decrease) in accrued expenses	550	724
Increase (decrease) in payroll liabilities	(333)	(66)
Total adjustments	<u>95,634</u>	<u>88,865</u>
Net cash provided by operating activities	<u>\$ 25,897</u>	<u>\$ 19,401</u>
Reconciliation of total cash:		
Current assets - cash	\$ 94,606	\$ 123,068
Restricted assets - cash	<u>16,129</u>	<u>15,540</u>
	<u>\$ 110,735</u>	<u>\$ 138,608</u>

The accompanying notes are an integral part of this statement.

PECAN ISLAND WATERWORKS DISTRICT NO. 3 OF VERMILION PARISH, LOUISIANA

Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Pursuant to an ordinance adopted by the Vermilion Parish Police Jury, the Pecan Island Waterworks District No. 3 of Vermilion Parish, Louisiana (the District) was created to provide water services to the customers of the former Pecan Island Water System of the Vermilion Parish Waterworks District No. 1 of the Parish of Vermilion, State of Louisiana. The District is an integral part of the Vermilion Parish Police Jury for financial reporting purposes. The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below.

Financial Reporting Entity

For financial reporting purposes in conformity with Governmental Accounting Standards Board Statement No. 14, the District is a component unit of the Vermilion Parish Police Jury, the governing body of the parish and the governmental body with oversight responsibility. The accompanying financial statements present information only as to the transactions of the District and are not intended to present fairly the financial position and results of operations of the Vermilion Parish Police Jury. As a component unit, the accompanying financial statements may be included within the reporting of the primary government, either blended into those financial statements or separately reported as a discrete component unit.

Fund Accounting

The accounts of the District are organized and operated on a fund basis whereby a separate self-balancing set of accounts that comprise its assets, liabilities, net position, revenues and expenses is maintained for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or regulations. The District is presented in the accompanying financial statements as follows:

PROPRIETARY FUND –

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The proprietary fund is accounted for using the accrual basis of accounting whereby revenues are recognized when they are earned and expenses are recognized when incurred. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

The principal operating revenues of the District is water usage fees. The operating cost of the proprietary fund is all costs associated with the operation of the water distribution system. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

PECAN ISLAND WATERWORKS DISTRICT NO. 3 OF VERMILION PARISH, LOUISIANA

Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Resources

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources as they are needed.

Capital Assets

All capital assets of the proprietary fund purchased or acquired with an original cost of \$500 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. The costs of maintenance and repairs are charged to income as incurred; significant renewals and betterments are capitalized. Reductions are made for retirements resulting from renewals or betterments. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings and improvements	20 – 40 years
Improvements other than buildings	25 years
Equipment	5 years

Depreciation of all exhaustible fixed assets used by the proprietary fund is charged as an expense against operations. Depreciation expense for the years ended December 31, 2013 and 2012 were \$87,253 and \$86,929, respectively.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents includes all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased.

Bad Debts

The District charges any uncollectible accounts directly to current operations. All accounts at December 31, 2013 and 2012 are considered to be collectible.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Vacation and Sick Leave

Vacation and sick leave are recorded as expenditures of the period in which paid. Any liability the District might have in this regard as of December 31, 2013 and 2012 is considered immaterial; therefore, no liability has been recorded in the accounts.

PECAN ISLAND WATERWORKS DISTRICT NO. 3 OF VERMILION PARISH, LOUISIANA

Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Values of Financial Instruments

The District applies the provisions of FASB ASC 820, *Fair Value Measurements and Disclosures*. See Note 9 for details on fair values used for the District's assets and liabilities.

NOTE 2 CASH AND INVESTMENTS

The carrying value of the District's cash deposits, including certificates of deposit, with financial institutions at December 31, 2013 totaled \$110,735 and the bank balance was \$112,365. Cash and investments are stated at cost, which approximates market. Under state law these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. During the year ended December 31, 2013, the District's deposits were fully secured by the federal deposit insurance corporation.

NOTE 3 RESTRICTED ASSETS

The District's restricted assets consist of the following as of December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Customers' meter deposits:		
Cash	<u>\$ 16,129</u>	<u>\$15,540</u>

NOTE 4 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2013 was as follows:

	<u>Balance 12/31/12</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/13</u>
Capital assets:				
Building and improvements	\$ 178,891	\$ 55,050	\$ -	\$ 233,941
Equipment and furniture	16,518	17,973	(12,867)	21,624
Improvements other than buildings	<u>2,007,249</u>	<u>-</u>	<u>-</u>	<u>2,007,249</u>
Total capital assets	<u>2,202,658</u>	<u>73,023</u>	<u>(12,867)</u>	<u>2,262,814</u>
Less accumulated depreciation for:				
Building and improvements	(77,538)	(5,765)	-	(83,303)
Equipment and furniture	(16,517)	(1,198)	12,867	(4,848)
Improvements other than buildings	<u>(468,779)</u>	<u>(80,290)</u>	<u>-</u>	<u>(549,069)</u>
Total accumulated depreciation	<u>(562,834)</u>	<u>(87,253)</u>	<u>12,867</u>	<u>(637,220)</u>
Capital assets, net	<u>\$1,639,824</u>	<u>\$ (14,230)</u>	<u>\$ -</u>	<u>\$1,625,594</u>

PECAN ISLAND WATERWORKS DISTRICT NO. 3 OF VERMILION PARISH, LOUISIANA

Notes to the Financial Statements

NOTE 5 LONG-TERM DEBT

	<u>2013</u>	<u>2012</u>
Note payable to First Guaranty Bank, original amount of \$13,008, dated September 13, 2013, bearing interest at 5.75% per annum, payable in 48 monthly installments of \$304, collateralized by equipment	<u>12,278</u>	<u>-</u>
Less: current maturities	<u>3,027</u>	<u>-</u>
Total long-term debt	<u>\$ 9,251</u>	<u>\$ -</u>

Future maturities of long-term debt are as follows:

Year Ending December 31,	<u>Principal</u>	<u>Interest</u>
2014	\$ 3,027	\$ 627
2015	3,205	448
2016	3,395	259
2017	<u>2,651</u>	<u>63</u>
Total principal payments	<u>\$ 12,278</u>	<u>\$ 1,397</u>

NOTE 6 CONCENTRATION OF CREDIT RISK

The credit risk for trade accounts receivable is concentrated because most of the balances are due from individuals located in the same geographical region.

NOTE 7 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has elected to purchase insurance coverage through the commercial insurance market to cover its exposure to loss. The District is insured up to policy limits for each of the above risks. No claims have been settled in excess of the commercial coverage.

NOTE 8 BOARD OF COMMISSIONERS

The board of commissioners consists of five members, with compensation paid as follows:

Adrian Conner	Chairman	\$ 780
Bonnie Wainwright	Vice-Chairperson	780
Randall Broussard	Secretary-Treasurer	-
Sandra Vincent	Commissioner	780
Randie Choate	Commissioner	<u>-</u>
		<u>\$ 2,340</u>

PECAN ISLAND WATERWORKS DISTRICT NO. 3 OF VERMILION PARISH, LOUISIANA

Notes to the Financial Statements

NOTE 9 FAIR VALUE OF FINANCIAL INSTRUMENTS

The District applies the provisions of FASB ASC 820, *Fair Value Measurements and Disclosures*. FASB ASC 820 clarifies the principle that fair value should be based on the assumptions market participants would use when pricing the asset or liability and establishes a fair value hierarchy that prioritizes the inputs used to develop those assumptions and measure of fair value. The hierarchy requires the Company to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing methods, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

The following methods and assumptions were used by the District in estimating fair value disclosures for financial instruments:

Cash and cash equivalents – The carrying amount of cash and short-term instruments approximate fair value.

Contracts payable and accrued expenses – The carrying amount of contracts payable and accrued expenses approximate fair value.

OTHER SUPPLEMENTARY INFORMATION

PECAN ISLAND WATERWORKS DISTRICT NO. 3 OF VERMILION PARISH, LOUISIANA

Schedule of Number of Utility Customers
December 31, 2013 and 2012

Records maintained by the District indicated the following number of water customers were being served during the month of December:

2013	372
2012	391

See independent accountant's compilation report.

PECAN ISLAND WATERWORKS DISTRICT NO. 3 OF VERMILION PARISH, LOUISIANA

List of Insurance Policies in Force
December 31, 2013

<u>Type of Coverage</u>	<u>Expiration Date</u>	<u>Coverage</u>
Flood Insurance:		
Building A/Water Treatment	April 19, 2014	432,600
Building B/Office Warehouse	April 19, 2014	33,300
Building C/Cholorinator Building	April 19, 2014	18,600
General liability coverage:		
General aggregate	May 25, 2014	3,000,000
Products aggregate	May 25, 2014	3,000,000
Personal injury	May 25, 2014	1,000,000
Each occurrence	May 25, 2014	1,000,000
Damage to premises rented	May 25, 2014	1,000,000
Medical expense	May 25, 2014	10,000
Business auto		
Commercial auto	May 25, 2014	1,000,000
Uninsured motorists	May 25, 2014	1,000,000
Crime	May 25, 2014	10,000

See independent accountant's compilation report.